

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

DAWN M. HIPPIE

October 9, 2009



DOCKET NO. 2009-326-C

**State Universal Service Support of Basic
Local Service Included in a Bundled Service
Offering or Contract Offering**

TESTIMONY OF DAWN M. HIPPI

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2009-326 -C

IN RE: STATE UNIVERSAL SERVICE SUPPORT OF BASIC LOCAL SERVICE

INCLUDED IN A BUNDLED SERVICE OFFERING OR CONTRACT OFFERING

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Dawn M. Hipp. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the state of South Carolina as the Director of the Telecommunications, Transportation, Water and Wastewater Department for the Office of Regulatory Staff ("ORS").

Q. PLEASE DESCRIBE YOUR EXPERIENCE RELATED TO THE STATE UNIVERSAL SERVICE FUND ("STATE USF").

A. I have supervised the daily operations of the State USF for two years. During this time frame, ORS has successfully implemented the improvements recommended by the Legislative Audit Council and retained a third party auditor to annually review the financial statements and internal controls of the State USF. In addition to daily administration of the State USF which includes approval of fund disbursements, assessments, payment collections and participant audits, I filed comments on behalf of ORS with the Federal Communications Commission related to federal universal service reform and intercarrier compensation. I

1 supervise the Lifeline Department which coordinates awareness and intake efforts
2 for the low-income component of the State USF with the state designated eligible
3 telecommunications carriers, other state government agencies and partners such as
4 state food banks.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. The purpose of my testimony is to provide support for ORS' position that
8 basic local telecommunications service included in a bundle or contract offering
9 should receive State Universal Service Fund support.

10 **Q. WHAT DUTIES DOES ORS PERFORM IN ADMINISTRATION OF THE**
11 **STATE UNIVERSAL SERVICE FUND?**

12 A. By state statute and under Docket No. 1997-239-C, Order No. 2005-7, the
13 Public Service Commission of South Carolina ("PSC" or "Commission")
14 designated ORS as the State USF administrator. In accordance with the PSC
15 Guidelines and Administrative Procedures established in the Order No. 2001-996,
16 ORS performs the following duties:

- 17 1) Determines the level of contributions required;
- 18 2) Assesses carriers to meet distribution needs;
- 19 3) Distributes funds to qualified recipients;
- 20 4) Coordinates and provides results of the third party audit;
- 21 5) Performs annual audits of fund participants; and
- 22 6) Makes recommendations to the PSC regarding the ongoing operation
- 23 and modification of the fund.

1 **Q. DO YOU SUPERVISE THE DAILY OPERATIONS OF THE STATE**
2 **UNIVERSAL SERVICE FUND?**

3 A. Yes. As part of my job duties, I review and approve ORS transactions
4 related to monthly State USF support disbursements, monthly carrier assessments,
5 on-going assessment collection, annual fund calculation, and routine audits of
6 fund participants to ensure compliance with the PSC Guidelines and
7 Administrative Procedures and state statutes. In addition, I coordinate the annual
8 audit of the State USF with the third-party auditor, Scott McElveen, L.L.P.

9 **Q. WHAT IS THE PURPOSE OF THE STATE UNIVERSAL SERVICE**
10 **FUND?**

11 A. In its simplest form, the State USF is designed to make basic local
12 telecommunications service available to consumers at affordable rates. To
13 accomplish this goal, the General Assembly directed this Commission to establish
14 a State USF for distribution to carriers of last resort ("COLRs").

15 **Q. WHAT TELECOMMUNICATIONS SERVICES ARE SUPPORTED BY**
16 **THE STATE UNIVERSAL SERVICE FUND?**

17 A. The Commission, in its Guidelines and Administrative Procedures defined
18 the term "basic local exchange telecommunications service:"

19 The term "basic local exchange telecommunications service"
20 means for single-party residential and single-line business
21 customers access to basic voice grade local service with dual-tone
22 multi-frequency (DTMF) signaling (i.e. Touch-tone), access to
23 available emergency services and directory assistance, the
24 capability to access interconnecting carriers, access to dual party
25 relay services, access to operator services, one annual local
26 directory listing, and toll limitation at the request of the low
27 income consumer or in order to prevent further losses by the

1 carrier of last resort, for low-income consumers participating in
2 Lifeline (subject to technical feasibility).

3
4 **Q. ARE BUNDLED SERVICE OFFERINGS THAT CONTAIN BASIC**
5 **LOCAL TELECOMMUNICATIONS SERVICES ELIGIBLE TO**
6 **RECEIVE STATE UNIVERSAL SERVICE FUND SUPPORT?**

7 A. Yes. The General Assembly did not exclude COLRs from receiving State
8 USF support for basic local telecommunications services marketed as a bundled
9 service offering to consumers in accordance with S.C. Code Law § 58-285(C). In
10 fact, the General Assembly specifically required that each regulated product or
11 service including basic local exchange service included in a bundled service
12 offering be tariffed by the COLR on a stand-alone basis.

13 **Q. ARE THE COMMISSION'S STATE USF GUIDELINES AND**
14 **ADMINISTRATIVE PROCEDURES RELATED TO BASIC LOCAL**
15 **TELECOMMUNICATIONS SERVICE MARKETING AS A BUNDLE**
16 **CONSISTENT WITH FEDERAL LAW?**

17 A. Yes. The Federal Communications Commission ("FCC") recognized in
18 its Order and Order on Reconsideration in Docket No. 96-45¹ that "the network is
19 an integrated facility that may be used to provide both supported and non-
20 supported services." While advanced services are not directly supported by
21 federal universal service funds, they are indirectly supported. The FCC and the
22 Universal Service Administrative Company ("USAC") allow federal USF
23 distributions to COLRs on high cost loops and do not limit distribution to those
24 high cost loops that solely provide basic local exchange telecommunications

¹ *In the Matter of Federal-State Joint Board on Universal Service*, Order and Order on Reconsideration, CC Docket No. 96-45 at ¶ 13 (rel. July 14, 2003).

1 service. Recently, the FCC has considered expanding the list of supported
2 services to include broadband.

3 **Q. DOES ORS RECOMMEND BASIC LOCAL TELECOMMUNICATIONS**
4 **SERVICE SOLD AS PART OF A BUNDLE SERVICE OFFERING**
5 **CONTINUE TO RECEIVE STATE UNIVERSAL SERVICE FUND**
6 **SUPPORT?**

7 A. Yes. ORS believes that it is in the public interest to continue providing
8 State USF support for local service that is part of a bundle.

9 **Q. IF CARRIERS OF LAST RESORT WERE NOT ELIGIBLE FOR STATE**
10 **UNIVERSAL SERVICE SUPPORT FOR BASIC LOCAL**
11 **TELECOMMUNICATIONS SERVICES BUNDLED WITH OTHER**
12 **SERVICES, WHAT COULD BE SOME OF THE RESULTS?**

13 A. Excluding bundled services from receiving State USF support could have
14 the following unintended consequences:

15 (1) The State USF could become inconsistent with Federal Law meaning
16 that basic local telecommunications service provided as part of a bundle receives
17 Federal support but not State support;

18 (2) An increase in administrative burden and cost to the COLRs, the
19 contributing carriers, and the Fund Administrator due to additional reporting and
20 more frequent fund size adjustments;

21 (3) A reduction in consumer choice for rural consumers who might lose
22 their choice to subscribe to bundled services; and

1 (4) To require a COLR to refrain from marketing its services as a bundle
2 in order to continue receiving State USF may place the COLR at an economic
3 disadvantage.

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 **A. Yes it does.**

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-326-C

IN RE:)	
State Universal Service Support of Basic Local)	CERTIFICATE OF
Service Included in a Bundled Service Offering)	SERVICE
or Contract Offering)	

This is to certify that I, Chrystal L. Morgan, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **DIRECT TESTIMONY OF DAWN M. HIPP** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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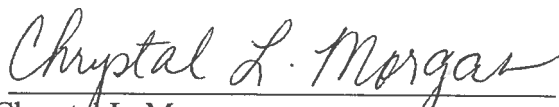
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October 9, 2009
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